EUROPEAN ASSOCIATION OF CORPORATE TREASURERS

Welcome to the January EACT Newsletter

Welcome to the first EACT newsletter! The objective of the newsletter is to replace the previous monthly report on financial regulation, and to provide you with regulatory and other updates in a more readable and user-friendly format. We hope you enjoy reading!

(1) DERIVATIVES

EMIR

The Commission is moving ahead with the EMIR review, with the publication in November of its report on EMIR review and a planned legislative proposal tabled for Mid-March. The Commission has stated that this legislative proposal will only be a targeted review of some EMIR requirements, as the overall framework is considered fit for purpose. The EACT has been active – with other associations representing corporate end-users – in highlighting areas of key concern to corporate end-users of derivatives. We have addressed our concerns to Commission Vice-President Valdis Dombrovskis (responsible for financial services) and have submitted input for the Commission's impact assessment, and held a number of meetings with the Commission, MEPs and Member States Permanent Representations. At this stage we do not expect the Commission to challenge the corporate hedging exemption. However, the Commission is more reserved concerning our requests for complete exemptions from dual-sided and intragroup transactions reporting.

ESMA has sent a letter to the European Commission concerning the EMIR review. Concerning NFCs, ESMA reiterates the points made previously, and suggests removing the hedging criteria. ESMA also states that reporting of intragroup transactions should continue, while some relief from dual-sided reporting for small NFCs could be considered.

MiFID/MiFIR

ESMA has published a briefing on the reporting requirements under MiFID 2 /MiFIR. These requirements will only be applicable to those non-financial companies captured by MiFID2.

(2) CAPITAL REQUIREMENTS

The Basel Committee has postponed a meeting that was initially aimed at finalising the so-called “Basel 4” reforms, saying that it needs more time to discuss the measures.

The EACT has previously raised concerns on some of the planned measures, arguing that they could lead to an important contraction in lending to non-financial companies, an increase in pricing of various banking products and services and a very likely reduction of banks’ offer of different banking services and products.

(3) MONEY MARKET FUNDS

The finalisation of the EU Money Market Funds Regulation (MMFR) is progressing: following the agreement reached between the EU institutions end of November, the Council and the Parliament ECON Committee have approved the agreement internally, and the final publication in the EU Official Journal is now expected in Q2 this year. This would mean that the provision of MMFR would apply to new MMFs as of Q2 2018 and to existing ones as of Q4 2018.

As a reminder, the MMFR will have implications for corporate end-users investing in MMFs, but many of the initial concerns voiced by the EACT and other MMF end-users have been taken into account in the final compromise as:

- there is no ban on external credit ratings for MMFs and funds will continue be able to solicit external ratings
- there will be no capital buffers required for funds, which would have undermined the continued availability of certain types of funds used by corporates

Other changes relevant to corporate treasures include:

- the MMFR retains three types of funds: Variable Net Asset Value (VNAV) funds, Low Volatility Net Asset Value (LVNAV) funds and Public Debt Constant Net Asset Value (CNAV) funds
- Both Public Debt CNAV funds and LVNAV funds can under certain conditions impose liquidity fees and redemption gates to their investors. Application of gates and fees becomes mandatory when weekly liquid assets fall below 10%, prior to that the fund has discretion
- LVNAV funds will have to convert into floating NAV when the mark-to-market value per unit deviates from the constant asset price by more than 20 basis points
- The Public Debt CNAV funds will be allowed to hold non-EU public debt also, but in five years the Commission will review whether restrictions to non-EU public debt should be imposed

(4) PAYMENTS

In November last year the European Payments Council published the rules for a new credit transfer scheme for instant payments. The payment scheme is now in its implementation phase and will become available for use as of 21 November 2017. It is not mandatory for payment service providers to offer instant payments as adherence is voluntary.

The main aspects of the new payment scheme are:

- applicable for euro transactions between adhering payment services providers in the SEPA area
- a maximum transferable amount of 15,000 euros (a higher amount could be agreed between individual participating payment service providers)
- available 24 hours a day on all calendar days of the year
- a maximum execution time of ten seconds after which the funds need to be made available to the beneficiary

It is not yet clear how widely this service would be offered by payment service providers, as the adherence process has just opened.

Open Consultations

ESMA Consultation
ESMA consultation on the draft Regulatory Technical Standards on data to be made publicly available by Trade Repositories

Deadline: 15 February

Commission Consultation
Commission consultation on the Capital Markets Union mid-term review

Deadline: 17 March

To further discuss any of the items in the EACT newsletter please contact Anni Mykkanen - anni.mykkanen@eact.eu

European Association of Corporate Treasurers (EACT)
3 rue d'Edimbourg, CS 40011, F-75008 Paris, France
Visit the EACT website